
FISCAL UPDATE Article

Fiscal Services Division

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CHILD CARE ASSISTANCE FORECASTING GROUP — NOVEMBER 2019/2020

Forecasting Group. Staff from the Department of Management (DOM), the Department of Human Services (DHS), and the Fiscal Services Division of the Legislative Services Agency (LSA) met on November 21, 2019, to discuss the [Child Care Assistance](#) (CCA) Program's estimated FY 2019 and FY 2020 expenditures. The Forecasting Group is established in Iowa Code section [234.47](#) to discuss revenues and expenditures and agree on an estimate for the current and upcoming fiscal years.

Child Care Assistance Estimated Budget

	<u>Actual</u> <u>FY 2019</u>	<u>Estimated</u> <u>FY 2020</u>	<u>Projected</u> <u>FY 2021</u>
Revenues			
Federal Funds Carried Forward	\$ 14,963,945	\$ 24,898,022	\$ 500,000
State General Fund Appropriation	40,816,931	40,816,931	40,816,931
Temporary Assistance for Needy Families	47,166,826	47,166,826	47,166,826
Child Care Development Fund	69,799,930	71,243,344	70,692,441
Total Revenues	<u>\$ 172,747,632</u>	<u>\$ 184,125,123</u>	<u>\$ 159,176,198</u>
Expenditures			
Total Child Care Assistance	\$ 120,938,156	\$ 128,590,328	\$ 130,831,647
Child Care Management Information System	556,474	654,113	703,123
Quality Rating System	1,707,990	1,982,724	2,088,292
Quality Activities & Other	5,557,553	6,849,831	8,228,171
Tiered Reimbursement (QRS Levels)	2,937,771	5,089,579	5,191,370
Resource and Referral (Fed & State)	3,924,889	4,109,138	4,109,138
Early Childhood Iowa Grants	5,850,000	5,850,000	5,850,000
Legal Services, Printing, & Postage	251,924	262,726	274,712
General Administrative Costs	1,653,686	1,714,938	1,781,888
Field Operations	4,471,167	4,781,119	5,092,435
Carryforward for Federal Fiscal Year	24,898,022	500,000	500,000
Total Expenditures	<u>\$ 172,747,632</u>	<u>\$ 160,384,496</u>	<u>\$ 164,650,776</u>
Surplus / -Need		<u>\$ 23,740,627</u>	<u>\$ -5,474,578</u>
FY 2021 Balance After Applying FY 2020 Surplus			\$ 18,266,049

Fiscal Year 2019 Actual. Fiscal year 2019 finished \$5.6 million below the consensus forecast of the group. The following factors contributed to this difference:

- After the Forecasting Group met in March, the DHS received an additional \$1.1 million of Child Care Development Fund (CCDF) [Redistributed Matching Funds](#) for federal FY 2019. These funds come from the unspent and unobligated portion of other states' matching fund grants that are available to

states that have met the requirements for matching funds in the grant period. The amount of funding provided through this part of the CCDF formula is unpredictable and therefore not included in the baseline funding estimates for FY 2020 or FY 2021.

- Child Care Assistance expenditures for services were \$4.0 million (-3.3%) lower than projected by the Forecasting Group.
- All other program-related expenditures were \$0.5 million lower than the DHS budgeted.

Fiscal Year 2020. The Forecasting Group estimated that CCA will have an FY 2020 ending balance of \$23.7 million. The FY 2020 revenue estimate also includes some redistributed matching funds from the CCDF for federal FY 2019 that were received in State FY 2020. These redistribution funds are not included in the FY 2021 revenue baseline.

Although it is still early in the fiscal year, the number of regular CCA cases are lower than when FY 2019 ended. Additionally, the number of children receiving services through the PROMISE JOBS eligibility segment has started increasing, corresponding with overall cases in the Family Investment Program (FIP).

The federal appropriation language around the Child Care and Development Block Grant (CCDBG) funds requires the increased funding to supplement, not supplant, state funding of CCA programs. The Administration for Children and Families (ACF) Office of Child Care considers a state to have satisfied the [“supplement not supplant” requirement](#) if the state has not made administrative or legislative changes to reduce the amount of general revenue funds for child care assistance to low-income families below the amount the state would have spent under state law and policies in place on the date of enactment of the Consolidated Appropriations Act of 2018 (March 23, 2018).

FY 2021. The consensus estimated need for FY 2021 is \$5.5 million before applying the carryforward from the previous fiscal year. Once the projected FY 2020 surplus is utilized, there is a projected surplus of \$18.3 million.

Regarding the FY 2021 projection, there was an adjustment in the CCA Plus eligibility assumptions. As reported in a previous *Fiscal Update Article*, the State is on a [Corrective Action Plan](#) for some program policy items that will affect overall program expenditures beginning in FY 2021 beyond regular enrollment growth and cost-per-case increases. The most significant area where Iowa is out of compliance with federal regulation is in Iowa’s 12-month eligibility limit on CCA Plus, whereas the final federal rule requires perpetual funding as long as the family is below an established exit eligibility ceiling.

As part of the [FY 2021 Department Request \(page 6-11\)](#), the DHS is proposing to change the CCA Plus component to include continuous eligibility as long as a family’s income remains below 185.0% of the federal poverty level. This change is estimated to cover 80.0% of the children currently eligible under CCA Plus. The forecast incorporates this policy change.

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